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SUBJECT: BAHRAIN TO HOST INAUGURAL MENA FATF MEETING

1. (U) Bahrain will host the inaugural meeting of the Middle East/North Africa Financial Action Task Force (MENA FATF) on November 29-30. The establishment of a FATF-styled regional body in the Middle East and North Africa is, according to the Bahrain Monetary Agency's (BMA) Compliance chief, "an important initiative to help bring the region into compliance with international standards." In the wake of September 11 the international financial community, through FATF, has redoubled its efforts to combat money laundering and terrorism financing by promoting transparency, best practices and sound regulatory regimes.

2. (U) For the inaugural meeting, Bahrain invited the Ministers of Finance and Central Bank Governors from Algeria, Qatar, Oman, Kuwait, UAE, Saudi Arabia, Lebanon, Egypt, Yemen, Tunisia, Jordan, Morocco and Syria to attend. Additionally, Bahrain invited delegations from the US, Iraq, France, UK, IMF, World Bank, and FATF as observers. While most of the GCC countries responded affirmatively to their invitations, MENA FATF organizers are still awaiting responses from Egypt, Tunisia, Algeria, Morocco and Saudi Arabia. (Note. The North African countries attended and were active participants in the organizational meeting in Manama earlier this year. End note.)

3. (U) The first day of the conference, November 29, will be the technical meeting to draft the MOU, select a president and vice president and to discuss other planning issues. On November 30, the conference attendees will sign the MOU and hold a press conference to announce the new president and vice president of the MENA FATF.

4. (U) Comment: The Financial Action Task Force is an intergovernmental body that develops and promotes policies to combat money laundering and terrorism financing. FATF encouraged the establishment of regional bodies to promote self-regulation. There are already regional bodies in the Caribbean, Asia/Pacific, Eastern and Southern Africa, and Europe, leaving the Middle East and North Africa as a notable exception. The BMA recognized that implementing international standards would enhance and protect the stability of Bahrain's financial sector. The BMA actively courted FATF and regularly participated in plenary and regional meetings before winning approval to initiate and host the MENA FATF. Bahrain still has room to improve the regulations in its financial sector but expects its strong proactive example to serve as a model for the region.

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